

BUDGET LETTER

SUBJECT: 2004-05 PRICE LETTER	NUMBER: 03-29
REFERENCES:	DATE ISSUED: August 25, 2003
	SUPERSEDES: BL 02-24

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Pursuant to Budget Letter (BL) 03-05, departments will not be provided a price increase as a baseline adjustment in 2004-05. Price increase adjustments are considered policy adjustments and will **not** be included in the Planning Estimates or budget galleys unless specifically approved by the Department of Finance (Finance). Budget Change Proposals (BCPs) for price adjustments should not be submitted unless extreme hardship can be demonstrated. In those cases, departments must submit a BCP fully justifying the need.

Accordingly, the attached Price Letter Adjustment Factors for 2004-05 are provided for departments' planning purposes only so departmental resources may be managed to incorporate these factors within existing resources.

The Price Letter does not cover the prices of goods and services that are included in the Department of General Services' **2004-05 Price Book and Directory of Services**, which will be available from the Office of Fiscal Services' website at <http://www.ofs.dgs.ca.gov/> in late August or early September. If you have any questions regarding the Price Book, please contact the Department of General Services, Office of Fiscal Services, Budget and Planning Section, 1325 "J" Street, Suite 1600, Sacramento, CA 95814, or call Ms. Jennifer Byington at (916) 376-5161.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

Upcoming Budget Letters

- Initial 2004-05 Budget Galley
- Control Section 3.60 Adjustments
- Supplemental Language Report Requests

PRICE LETTER STANDARDS
2004-05PRICE ADJUSTMENT FACTOR SUMMARY
(See following text for specific instructions)

UCM Code	Line-Item Object	2003-04 ^a	2004-05 ^a
Personal Services			
103103	OASDI	6.2% on wage ceiling of \$87,750 ^b	6.2% on wage ceiling of \$90,150 ^b
103137	Medicare	1.45% no wage ceiling	1.45% no wage ceiling
103105	Health Benefits-Public Employees	This issue is subject to ongoing negotiations through the collective bargaining process. Any change will be addressed in a subsequent Budget Letter.	
103107	Retirement-Public Employees	86%	115% ^e
		Budget instructions for this item will be provided in a forthcoming Budget Letter.	
Operating Expenses			
311223	Library Purchases		
	Monographs	4.5%	4.3%
	Subscriptions	2.7%	11.2%
	Serial Services	0.0%	6.8%
313257	Telephone	c, d	c, d
314261	Postage	d	d
317292	In-State Travel Per Diem	d	d
324362	Electricity	d	d
324363	Natural Gas	5.0%	10.0%
324364	Liquid Petroleum Gas	5.0%	10.0%

^a Percentage change over 2002-03, unless specified otherwise.^b The tax base for the calendar year 2003 is \$87,000. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$88,500 and \$91,800 are used for calendar years 2004 and 2005, respectively, for planning purposes.^c Budget at July 1, 2002, rates.^d See following text.^e This number is a preliminary estimate and will not be finalized by the CalPERS' Board until May 2004.

UCM Code	Line-Item Object	2003-04 ^a	2004-05 ^a
	Operating Expenses		
325396	Attorney General Services		
	Attorney Services	d	d
	Paralegal Services	d	d
328428	Consolidated Data Center	d	d
333503	Clothing and Personal Supplies	-0.7%	-0.1%
333504	Medical Care	4.4%	8.7%
333506	Foodstuffs	2.5%	5.4%
333513	Laundry ^f		
	General Linen	29¢/lb.	d
	Personal Clothing	31¢/lb.	d
	California Consumer Price Index - All Urban Consumers	2.4%	5.2%

OPERATING EXPENSES

TELEPHONE

Agencies are advised that telephone rates charged by the Department of General Services for 2003-04 and 2004-05 for CALNET telecommunications services may change. The telephone rates for 2003-04 and 2004-05 were pending at the time this BL was prepared.

POSTAGE

Departments are advised to budget postage for 2003-04 and 2004-05 at the postal rates as of June 30, 2002. The latest postal rates, which went into effect on June 30, 2002, are expected to remain unchanged at least until 2006. Current rate schedules are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/ratecase/>.

Major postage rates effective June 30, 2002, are as follows:

First-Class letter: 1 oz.	37 cents
Postcard	23 cents
Priority Mail (1lb.):	\$3.85
Express Mail: ½ lb.	\$13.65

^a Percentage change over 2002-03, unless specified otherwise.

^d See following text.

^f Prices do not include transportation charges, which are based on mileage. See following text for detail.

IN-STATE TRAVEL PER DIEM

For 2003-04 and 2004-05, the reimbursement for lodging, meals and incidentals, and mileage should be budgeted as follows:

Lodging –

For each 24-hour period

- Alameda, San Francisco, San Mateo
Santa Clara
 - With receipt
 - Without receipt

up to \$140.00 plus tax
\$0.00

Lodging –

- Los Angeles and San Mateo County
 - With receipt
 - Without receipt

up to \$110.00 plus tax
\$0.00

Lodging –

- All other counties
 - With receipt
 - Without receipt

up to \$84.00 plus tax
\$0.00

Lodging –

- Conference/Conventions
 - Non-State sponsored, with prior written approval of appointing power, with receipt
 - State-sponsored, with prior written approval of appointing power, with receipt

no maximum

up to \$110.00 plus tax

Meals and Incidentals

up to \$6.00 for breakfast
up to \$10.00 for lunch
up to \$18.00 for dinner
up to \$6.00 for incidentals

Mileage

\$0.34 per mile

The aforementioned amounts reflect the current reimbursement rates for excluded and represented State employees.

Departments are advised to use the above rates for budgeting purposes until the Department of Personnel Administration provides notification of any changes that result from collective bargaining. Actual rates are determined by collective bargaining agreements and may vary by bargaining unit.

HEAT, LIGHT, AND POWER

Electricity

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments

should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

Based on the 2002-2012 Electricity Outlook Report adopted by the California Energy Commission in February 2002, and published in June 2002, the overall electrical rates charged by major investor-owned utilities are expected to change over 2002-03 as follows:

	2003-04	2004-05
Pacific Gas & Electric Company	5.55%	3.36%
Southern California Edison	2.74%	1.66%
San Diego Gas and Electric Company	-0.98%	-4.28%

Natural Gas

Natural gas should be budgeted for 2003-04 and 2004-05 at 5.0 percent and 10.0 percent, respectively, above 2002-03 actual expenditures.

Fuel Oil and Liquefied Petroleum Gas

Departments are advised to budget liquefied petroleum gas for 2003-04 and 2004-05 at 5.0 percent and 10.0 percent above 2002-03 actual expenditures, respectively. Departments should budget fuel oil at current market rates.

ATTORNEY GENERAL'S LEGAL SERVICES RATE

At the time this BL was prepared, the Department of Justice had not proposed an increase in the legal service rate.

CONSOLIDATED DATA CENTER SERVICES

The Teale Data Center's (TDC) has made numerous adjustments to its published billing rates. The rate reductions are implemented retroactively effective February 1, 2002, while the rate increases are effective September 1, 2002. Because departments typically have very different usage patterns, they are advised to consult TDC's billing rates schedule to estimate data processing costs and develop budgets for 2003-04 and 2004-05 accordingly.

Overall, the California Health and Human Services Agency Data Center (HHSDC) rates were reduced by 8 percent. The HHSDC's current base rates, effective July 1, 2003, should be used by departments to estimate data processing costs and develop budgets for 2003-04 and 2004-05. For departments that use CALSTARS running on HHSDC's data processing systems, estimated amounts for their 2003-04 interagency agreements have been developed and forwarded to those departments. As a whole, CALSTARS departments can expect a 3.2 percent increase in CALSTARS costs in 2003-04, although changes in costs for individual departments may vary.

CLOTHING

Clothing and personal supplies should be budgeted for 2003-04 and 2004-05 at 0.7 percent and 0.1 percent below 2002-03 actual expenditures, respectively.

MEDICAL CARE SUPPLIES

Departments should budget contract items at current prices. Budget the remaining items for 2003-04 and 2004-05 at 4.4 percent and 8.7 percent, respectively, above 2002-03 actual expenditures.

FOODSTUFFS (FEEDING)

Budget feeding costs for 2003-04 and 2004-05 at 2.5 percent and 5.4 percent, respectively, above 2002-03 actual expenditures.

LAUNDRY

Laundry prices for departments served by State correctional institutions should be budgeted as follows:

Service	2003-04
General Linen	29¢/lb.
Personal Clothing	31¢/lb.

Based on projected cost of providing laundry services for 2004-05, laundry prices are estimated to increase. However, at the time this Letter was prepared, the Prison Industry Authority had not determined the estimated increases for 2004-05.

These prices do not include mileage-based transportation costs, which are as follows:

Round Trip Mileage	Charge Per Trip
0-25	\$84.00
26-50	126.83
51-100	225.54
101-150	301.96
151-200	384.64
201-250	466.64
251-300	546.50
301-350	642.20
351-400	739.89

OVERALL CONSUMER PRICE INFLATION

The Economic Research Unit of the Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May, September and December. The most current (May 2003) California CPI-U forecast predicts that overall consumer prices will rise by 2.4 percent and 5.2 percent in 2003-04 and 2004-05, respectively, over 2002-03. However, departments are advised that while the CPI-U is believed to represent *overall* consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at 322-2263 for the most recent available forecast.

POPULATION

California's total population on July 1, 2003, is projected at 35,809,000—an increase of 508,000 over the number residing in the state on the same date last year. Civilian population on July 1, 2003, the essential figure for most budget computations, is 35,659,000. This represents a growth of 506,000 over the past 12 months. Current projections for mid-2004 place the total population at 36,247,000—an increase of approximately 1.2 percent for total population from the preceding July 1. The total population as of July 1, 2005, is expected to be 36,704,000, of which 36,554,000 would be civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA, 2001-2005
(in thousands)

<u>July 1</u>	<u>Total Population</u>	<u>Civilian Population</u>	<u>One-year change</u>	
			<u>Total</u>	<u>Civilian</u>
2001	34,698	34,575	---	---
2002	35,301	35,153	603	578
2003	35,809	35,659	508	506
2004	36,247	36,097	438	438
2005	36,704	36,554	457	457

Table 2 shows the civilian population for the years 2001-2005 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2000, decennial census, Finance estimates, and the most recent Finance projection series.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE
(In thousands)

<u>Age in Years</u>	<u>7/1/01</u>	<u>7/1/02</u>	<u>7/1/03</u>	<u>7/1/04</u>	<u>7/1/05</u>
0-4	2,560	2,598	2,637	2,673	2,687
5-9	2,661	2,629	2,598	2,573	2,582
10-14	2,698	2,757	2,791	2,786	2,761
15-19	2,459	2,502	2,556	2,624	2,702
20-24	2,413	2,478	2,518	2,530	2,543
25-29	2,426	2,440	2,469	2,492	2,538
30-34	2,697	2,707	2,684	2,628	2,580
35-39	2,734	2,722	2,713	2,734	2,772
40-44	2,735	2,767	2,808	2,814	2,798
45-49	2,455	2,530	2,586	2,649	2,705
50-54	2,120	2,171	2,235	2,301	2,372
55-59	1,646	1,751	1,845	1,956	2,059
60-64	1,227	1,299	1,365	1,427	1,485
65+	<u>3,744</u>	<u>3,802</u>	<u>3,854</u>	<u>3,910</u>	<u>3,970</u>
Total	34,575	35,153	35,659	36,097	36,554